



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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Medicare Conference Agreement on Premium Support Affects Millions of Seniors Across the Country

Dear Democratic Colleague:

Republican Leadership circulated on Sunday an outline of the Medicare conference agreement, including some details of the controversial provision known as premium support. The agreement puts Medicare fee-for-service in competition with private plans for all seniors and disabled people in up to six metropolitan statistical areas (MSAs) for a period of six years beginning in 2010. Attached is a list of the MSAs that are currently eligible for premium support under the conference agreement, or that are close to becoming eligible by 2010.

This privatization of Medicare could affect 6.8 million seniors nationwide, from Florida to California.¹ While some claim that this is simply an effort to test the concept of premium support, others view this provision as the first step toward privatizing the entire Medicare program in a more comprehensive premium support system.

Metropolitan areas targeted for this demonstration are those with a high percentage of Medicare beneficiaries already participating in managed care plans under Medicare+Choice (and that meet other criteria.) Specifically, the outline of the conference agreement cites a 25 percent participation threshold, meaning that a metropolitan area meets the criterion if 25 percent of Medicare beneficiaries in the MSA are in managed care.

Based on CMS data from 2003, 41 metropolitan areas currently meet this criterion, and could be targeted under this premium support provision. However, the increased payments to private plans under the Medicare conference agreement are designed to entice more private plans into the program, so many more MSAs could become eligible for premium support by 2010. The attached list shows both the MSAs currently eligible and those closest to becoming eligible by 2010, given increases in managed care participation. Furthermore, the threshold for the premium support provision could be lowered in the future, which means that more metropolitan areas could meet the criterion.

This premium support provision, although labeled a “demonstration” or a “test” by some, will still result in premium increases and variations in the affected metropolitan areas for those seniors and disabled persons who want to stay in traditional Medicare. Furthermore, premium support undermines the traditional fee-for-service Medicare program. As private insurance plans try to pull away the healthier and less expensive beneficiaries, and thus do not necessarily save money for the program, traditional Medicare would be left with a progressively sicker and more expensive population. Traditional Medicare premiums would inevitably be driven upwards - the beginning of an insurance “death spiral” that could ultimately destroy the traditional Medicare program.

Sincerely,

John M. Spratt, Jr.
Ranking Member

¹Senate Health, Education, Labor and Pensions Committee Democratic Staff Analysis. Includes Medicare beneficiaries in New York-Newark-Edison NY-NJ-PA MSA, Los Angeles-Long Beach-Santa Ana CA MSA, Chicago-Naperville-Joliet IL-IN-WI MSA, Miami-Ft. Lauderdale-Miami Beach, FL MSA, Philadelphia-Wilmington PA-DE-MD-NJ MSA, and Reno-Sparks, NV MSA.

Metropolitan Statistical Areas That Could End Up In Medicare Premium Support Program

Metropolitan Statistical Area	Number of Medicare Beneficiaries	Participation in Managed Care
ALABAMA		
Birmingham-Hoover, AL MSA 1/	169,329	21%
Mobile, AL MSA 1/	61,572	17%
ARIZONA		
Phoenix-Mesa-Scottsdale, AZ MSA	432,861	36%
Tucson, AZ MSA	139,222	33%
CALIFORNIA		
Bakersfield, CA MSA	82,326	33%
LA-Long Beach-Santa Ana, CA MSA	1,386,345	35%
Madera, CA MSA 1/	19,840	20%
Modesto, CA MSA	60,550	36%
Napa, CA MSA	22,740	32%
Oxnard-Thousand Oaks-Ventura, CA MSA	94,534	25%
Riverside-San Bernardino-Ontario, CA MSA	232,215	43%
Sacramento--Arden-Arcade--Roseville, CA MSA	255,567	39%
San Diego-Carlsbad-San Marcos, CA MSA	362,767	40%
San Francisco-Oakland-Fremont, CA MSA	549,302	35%
San Jose-Sunnyvale-Santa Clara, CA MSA	185,528	35%
Santa Barbara-Santa Maria-Goleta, CA MSA 1/	57,959	19%
Santa Rosa-Petaluma, CA MSA	66,376	28%
Stockton, CA MSA 1/	74,434	19%
Vallejo-Fairfield, CA MSA	45,105	36%
COLORADO		
Boulder, CO MSA	31,762	30%
Colorado Springs, CO MSA 1/	60,137	16%
Denver-Aurora, CO MSA	143,144	39%
Grand Junction, CO MSA	22,274	34%
Pueblo, CO MSA 1/	26,805	22%
DELAWARE		
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA 2/	865,657	27%
FLORIDA		
Deltona-Daytona Beach-Ormond Beach, FL MSA	107,471	31%
Miami-Fort Lauderdale-Miami Beach, FL MSA	833,104	39%
Palm Bay-Melbourne-Titusville, FL MSA 1/	106,585	18%
Tampa-St. Petersburg-Clearwater, FL MSA 1/	482,198	23%
HAWAII		
Honolulu, HI MSA	131,666	33%
IDAHO		
Boise City-Nampa, ID MSA 1/	59,147	18%
INDIANA		
Cincinnati-Middletown, OH-KY-IN MSA 1/ 2/	397,920	16%
IOWA		
Dubuque, IA MSA	15,547	32%
Waterloo-Cedar Falls, IA MSA 1/	27,587	15%
KANSAS		
St. Joseph, MO-KS MSA 1/ 2/	57,443	23%
KENTUCKY		
Cincinnati-Middletown, OH-KY-IN MSA 1/ 2/	397,920	16%
LOUISIANA		
Baton Rouge, LA MSA 1/	45,835	15%
New Orleans-Metairie-Kenner, LA MSA	186,625	29%
MARYLAND		

Metropolitan Statistical Area	Number of Medicare Beneficiaries	Participation in Managed Care
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA 2/	865,657	27%
MASSACHUSETTS		
Barnstable, MA MSA	115,807	38%
Pittsfield, MA MSA 1/	212,359	22%
Providence-New Bedford-Fall River, RI-MA MSA 2/	268,527	25%
Springfield, MA MSA	205,035	34%
MINNESOTA		
St. Cloud, MN MSA 1/	33,119	16%
MISSOURI		
Jefferson City, MO MSA 1/	10,553	18%
St. Joseph, MO-KS MSA 1/ 2/	57,443	23%
NEVADA		
Las Vegas-Paradise, NV MSA	190,006	35%
Reno-Sparks, NV MSA 1/	47,150	20%
NEW JERSEY		
New York-Newark-Edison, NY-NJ-PA MSA 1/ 2/	2,600,428	14%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA 2/	865,657	27%
NEW MEXICO		
Albuquerque, NM MSA	102,098	34%
Santa Fe, NM MSA 1/	17,684	15%
NEW YORK		
Albany-Schenectady-Troy, NY MSA 1/	130,202	15%
Buffalo-Cheektowaga-Tonawanda, NY MSA	212,617	30%
Glens Falls, NY MSA 1/	12,257	16%
New York-Newark-Edison, NY-NJ-PA MSA 1/ 2/	2,600,428	14%
Rochester, NY MSA	163,898	41%
OHIO		
Cincinnati-Middletown, OH-KY-IN MSA 1/ 2/	397,920	16%
Lima, OH MSA 1/	16,349	23%
Springfield, OH MSA 1/	19,857	17%
Wheeling, WV-OH MSA 1/	69,475	21%
OKLAHOMA		
Tulsa, OK MSA 1/	125,752	22%
OREGON		
Bend, OR MSA	19,746	28%
Corvallis, OR MSA	8,933	37%
Eugene-Springfield, OR MSA	52,975	37%
Medford, OR MSA	35,005	27%
Portland-Vancouver-Beaverton, OR-WA MSA 2/	243,226	43%
Salem, OR MSA	52,917	43%
PENNSYLVANIA		
Altoona MSA	25,709	29%
Erie MSA 1/	47,061	21%
Johnstown MSA	33,546	45%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA 2/	865,657	27%
Pittsburgh MSA	472,008	39%
RHODE ISLAND		
Providence-New Bedford-Fall River, RI-MA MSA 2/	268,527	25%
TENNESSEE		
Kingsport-Bristol, TN-VA MSA 1/ 2/	45,796	21%
Nashville-Davidson--Murfreesboro, TN MSA 1/	169,346	14%
TEXAS		
San Antonio, TX MSA 1/	224,790	21%
VIRGINIA		
Kingsport-Bristol, TN-VA MSA 1/ 2/	47,471	23%

Metropolitan Statistical Area	Number of Medicare Beneficiaries	Participation in Managed Care
WASHINGTON		
Longview-Kelso, WA MSA	16,057	29%
Mount Vernon-Anacortes, WA MSA 1/	18,022	21%
Olympia, WA MSA	30,593	29%
Seattle-Tacoma-Bellevue, WA MSA 1/	367,041	22%
Portland-Vancouver-Beaverton, OR-WA MSA 2/	243,226	43%

1/ MSA participation in managed care may reach the 25 percent threshold by 2003.
2/ MSA covers several states. Total reflects Medicare beneficiaries across all states in the MSA.

Source : CMS Medicare Managed Care Market Penetration for All Medicare Plan Contractors, Quarterly State/County Data Files, September 2003.